

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 0185-02
BILL NO.: SB 139
SUBJECT: Economic Development; Cities, Towns and Villages; Counties; Employees-
Employers
TYPE: Original
DATE: January 15, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue*	(\$112,861) to (unknown)	(\$117,475) to (unknown)	(\$120,536) to (unknown)
Total Estimated Net Effect on <u>All</u> State Funds*	(\$112,861) to (Unknown)	(\$117,475) to (Unknown)	(\$120,536) to (Unknown)

*** Subject to Appropriation**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state they are charged with administering certain aspects of the Live Near Your Work (LNYW) Program created by this act. A local government initiates the program in their geographic area. The local government identifies neighborhoods or other areas of pervasive economic decline and recruits a local employer or employers to participate in the program. Once an employer or employers agree to participate in the local program, the local government then applies to the Department of Economic Development for certification of the designated LNYW area and for approval of program grants to eligible employees of the participating employers.

Each program grant awarded is in the total amount of at least \$3,000.00 which consists of at least \$1,000.00 each from the Department of Economic Development, the local governmental unit operating the LNYW program, and the recipient's participating employer.

The DED assumes they will be responsible to;

- review of applications submitted by local jurisdictions and designation of LNYW areas,
- set deadlines for and accept periodic applications,
- set guidelines for grant funds,
- execute agreements with local jurisdictions for operation of the program,
- review reports from the local jurisdictions,
- allocate grant funds to approved programs,
- prepare an operational handbook or manual.

Grant funds will be distributed in the following allocations, \$1,000 each from DED, the employer, and the local jurisdiction to a qualified home-buyer locating in a LNYW area. The program is dependent on appropriations being provided to the DED for their portion of the grant funds. The DED assumes minimum funding of \$200,000 will be appropriated to fund the DED portion of 200 grants. Based on this assumption, the DED assumes the need for one (1) Economic Development Incentive Specialist I (at \$30,204 annually), and one (1) Community Development Representative II (at \$36,012 annually) to conduct activities required by the proposal. The proposal is almost identical to a law currently existing in Maryland. The DED personnel needs and appropriated funds are arrived at by contacting Maryland and patterning the costs after their program. Personnel needs and costs could be higher if the popularity/participation in the program is more than projected or the amount of funds appropriated is greater than projected.

Officials from the **Department of Labor and Industrial Relations** state this proposal would not fiscally impact their agency.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** state this legislation creates a grant program in the Department of Economic Development for employees who purchase homes in areas of economic decline near where they work. The DOR assumes there will not be an administrative impact to their agency.

Oversight assumes the General Assembly would appropriate an unknown amount of money from the General Revenue Fund to implement this program. Oversight also assumes the DED would not require additional floor space to accommodate the requested FTE. Oversight does not have information regarding the projected involvement from local governments and/or private companies and have estimated the cost to the state and local governments as an unknown expense.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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GENERAL REVENUE FUND

Costs - Department of Economic Development

Personal Service (2 FTE)	(\$56,560)	(\$69,568)	(\$71,307)
Fringe Benefits	(\$18,851)	(\$23,187)	(\$23,767)
Expense and Equipment	(\$37,450)	(\$24,720)	(\$25,462)
Total Costs - DED	(\$112,861)	(\$117,475)	(\$120,536)

<u>Costs - Grants to LNYW candidates*</u>	(unknown)	(unknown)	(unknown)
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ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	(\$112,861) to	(\$117,475) to	(\$120,536) to
	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

*

-SUBJECT TO APPROPRIATION-

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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LOCAL GOVERNMENTS

<u>Costs - Grants to LNYW candidates</u>	(unknown)	(unknown)	(unknown)
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FISCAL IMPACT - Small Business

A direct fiscal impact would be expected to those small businesses that chose to participate in the Live Near Your Work program within this proposal.

DESCRIPTION

This act establishes the Live Near Your Work (LNYW) program which is designed to encourage people to relocate their residence to areas of relative decline, so as to reverse poor economic trends in those areas. The program attempts to achieve this goal by providing economic assistance to people who purchase and reside in property located in economically declining areas which are close in proximity to their employment. The employer, the state and the local government provide equal financial contributions to each participating employee.

A local government, such as a city or county, must initiate the program in their geographic area. The local government identifies neighborhoods or other areas of pervasive economic decline and recruits a local employer or employers to participate in the program. Once an employer or employers agree to participate in the local program, the local government then applies to the Department of Economic Development for certification of the designated LNYW area and for approval of program grants to eligible employees of the participating employers.

Any eligible employee of a participating employer may apply for a grant pursuant to the LNYW program provisions. Eligible employees must purchase and reside in a property within the designated area in order to receive the program grant. Other conditions may also apply to grant recipients, including maintaining residence in the property for at least one year. In the event applicable requirements are not met by the grant recipient, the grant moneys may have to be returned.

Each program grant awarded is in the total amount of \$3,000.00 which consists of \$1,000.00 each from the Department of Economic Development, the local governmental unit operating the LNYW program, and the recipient's participating employer. The grant money is paid at the time the employee/home buyer closes on the purchase and the funds are directed specifically to defray closing and down payment costs of the home purchase.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

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Department of Economic Development
Department of Labor and Industrial Relations
Department of Revenue

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
January 15, 2001